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Voluntary - Public

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## Mexico

**Post:** Mexico

### October Grain and Feed Update

**Report Categories:**

Grain and Feed

Agriculture in the Economy

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**Report Highlights:**

The MY 2009/10 corn production estimate has been revised downward as a result of drought and lower-than-previously estimated harvested area. As a result, the MY 2009/10 import estimate for corn increased to 9.7 million metric tons (MMT). As for sorghum, wheat, dry beans and oilseeds, FAS/Mexico is maintaining its most recent PS&D estimates since our last voluntary report. (Please see reports: MX9053, MX9060 and MX9068.)

**General Information:**

**Production:**  
**CORN**

The projected corn production estimate of 23 MMT for marketing year (MY) 2009/10 (Oct-Sept) has been lowered three percent to 22.3 MMT due to more complete data issued from private sources and the Secretariat of Agriculture, Livestock, Rural Development, Fishing and Food (SAGARPA). Corn output for the 2009 spring/summer harvest was reduced sharply due to the drought, which reduced harvested area. Preliminary data from experts indicates that 1.25 million hectares of planted area out of a total of 6.6 million hectares was damaged by the drought. The main states adversely affected were: Puebla, San Luis Potosi, Zacatecas, Guanajuato and some areas of Jalisco and Michoacán.

Due to discrepancies from industry sources, SAGARPA officials continue to monitor the impact of the drought on corn and other grains. They have stated that in some states, corn growers overestimated the the area damaged in order to access supports granted by the Climate Contingency Support Program (PACC). This past August, the former Secretary of Agriculture, Alberto Cardenas, stated the GOM would implement support mechanisms to combat dry weather conditions (please see MX9053). One of these measures was the PACC, which is a direct support payment to municipalities. SAGARPA has been working with the National Weather Commission (CONAGUA) to determine the areas that were negatively affected by the drought due to reduced average yields. They expect to have a better estimation of these areas by the end of November. As a result, SAGARPA temporarily stopped publishing the information of the planted area damaged by drought until they can properly determine the drought. They expect this will cut down on payments to unaffected areas.

Official sources have also stated that SAGARPA's original production figure for the 2009 spring/summer crop cycle (19.2 MMT) was inflated due to political reasons. Reportedly, Cardenas, the former Agriculture Secretary, established that 30 MMT should be the annual production goal for the end of the current administration (2012). The national average for the past five years has been 22.2 MMT and there is no possibility that production would even be close to the 30 MMT goal. The MY 2007/08 harvested area and production estimates were revised downward reflecting official data issued by SAGARPA.

**Consumption:**  
**CORN**

The projected corn consumption for MY 2009/10 remains unchanged. Both, private and government sources, continue to expect a bearish demand for feed consumption due to a continual weakening for poultry, pork and beef in Mexico, largely because of reduced consumer purchasing power.

**Trade:**  
**CORN**

The MY 2008/09 import estimate was revised upward to 7.64 MMT reflecting final official data from the Secretariat of Economy (SE) as of August 31, 2009, and preliminary data from SAGARPA for September. Similarly, for MY 2009/10, the import forecast for corn increased from our previous projection to 9.7 MMT. This outlook is based on expectations of a contraction in domestic production.

Export estimates for MY 2008/09 have been revised upward to 153,000 MT based on World Trade Atlas data.

**Stocks:**  
**CORN**

The MY 2009/10 estimated ending stocks were revised downward, due to lower-than-previously estimated domestic production. Similarly, the ending stocks estimate for MY 2008/09 was revised downward as result of lower-than-originally estimated production and higher exports.

**Policy:**  
**CORN**

On October 28, 2009, Mexico's Secretariat of Economy (SE) announced an amendment to the operational guidelines for the PROHARINA program (please see MX9035). PROHARINA is a part of the Program for Promoting the Competitiveness of Industries (PROIND), which is an institutional strategy of the Government of Mexico (GOM), and promotes the competitiveness of various industrial sectors.

The announcement states that the PROIND Board of Directors reduced the supports for corn flour for tortillas. The main argument for the reduction was the decline in production costs of corn flour. The announcement indicates that the international corn prices have declined 49 percent compared to the peak price in June 2008 and is reflected in the domestic market. The PROIND Board of Directors also stated that the financial stability during the past few months increased, specifically for the peso-dollar exchange rates, which has helped soften the impact on imported inputs for the corn flour industry.

The GOM created PROHARINA as a program to support the corn flour industry, which intends to mitigate the impact of the rise in international corn prices through price supports that are designed to aid the consumer and provided through the corn flour industry. As result of this reduction in supports, one of the most important corn flour producing companies (GRUMA) is evaluating if they will increase the price of their products to reflect a change in supports.

The support per kilogram of corn-flour for tortillas will be determined as follows:

Support per kilogram = (\$ 6.34 pesos - selling price of a kg of corn flour) \*

\* Up to a maximum of the invoice price of \$ 6.16 pesos per kilogram and a minimum of \$ 5.30 pesos per kilogram of corn flour to produce tortillas. Any price below the minimum will be considered a sales price of \$ 5.30 per kilogram (exchange rate: U.S. \$1.00 = 13.20 pesos)

**Production, Supply and Demand Data Statistics :**

**Table 1: Mexico CORN PS&D**

| Corn | Mexico | 2007               | 2008               | 2009               |
|------|--------|--------------------|--------------------|--------------------|
|      |        | 2007/2008          | 2008/2009          | 2009/2010          |
|      |        | Market Year Begin: | Market Year Begin: | Market Year Begin: |

|                    | Oct 2007           |        |          | Oct 2008           |        |          | Oct 2009           |        |        |
|--------------------|--------------------|--------|----------|--------------------|--------|----------|--------------------|--------|--------|
|                    | USDA Official Data |        | Old Post | USDA Official Data |        | Old Post | USDA Official Data |        | Jan    |
|                    |                    |        | Data     |                    |        | Data     |                    |        | Data   |
| Area Harvested     | 7,330              | 7,330  | 7,330    | 7,450              | 7,250  | 7,320    | 7,300              | 7,200  | 6,400  |
| Beginning Stocks   | 3,084              | 3,084  | 3,084    | 4,131              | 4,082  | 4,082    | 3,831              | 3,587  | 3,438  |
| Production         | 23,600             | 23,600 | 23,600   | 25,000             | 24,500 | 24,230   | 22,500             | 23,000 | 22,300 |
| MY Imports         | 9,556              | 9,499  | 9,499    | 7,400              | 7,500  | 7,679    | 9,000              | 9,000  | 9,700  |
| TY Imports         | 9,556              | 9,499  | 9,499    | 7,400              | 7,500  | 7,679    | 9,000              | 9,000  | 9,700  |
| TY Imp. from U.S.  | 9,532              | 9,499  | 9,499    | 0                  | 7,500  | 7,679    | 0                  | 9,000  | 9,700  |
| Total Supply       | 36,240             | 36,183 | 36,183   | 36,531             | 36,082 | 35,991   | 35,331             | 35,587 | 35,438 |
| MY Exports         | 109                | 101    | 101      | 100                | 95     | 153      | 50                 | 50     | 50     |
| TY Exports         | 109                | 101    | 101      | 100                | 95     | 153      | 50                 | 0      | 0      |
| Feed Consumption   | 16,200             | 16,200 | 16,200   | 16,600             | 16,400 | 16,400   | 16,500             | 16,000 | 16,000 |
| FSI Consumption    | 15,800             | 15,800 | 15,800   | 16,000             | 16,000 | 16,000   | 16,200             | 16,200 | 16,200 |
| Total Consumption  | 32,000             | 32,000 | 32,000   | 32,600             | 32,400 | 32,400   | 32,700             | 32,200 | 32,200 |
| Ending Stocks      | 4,131              | 4,082  | 4,082    | 3,831              | 3,587  | 3,438    | 2,581              | 3,337  | 3,188  |
| Total Distribution | 36,240             | 36,183 | 36,183   | 36,531             | 36,082 | 35,991   | 35,331             | 35,587 | 35,438 |
| Yield              | 3.                 | 3.     | 3.22     | 3.                 | 3.     | 3.31     | 3.                 | 3.     | 3.48   |
| TS=TD              |                    |        | 0        |                    |        | 0        |                    |        | 0      |